

STATE AUDIT COMMITTEE

THURSDAY, DECEMBER 15, 2022, 10:00 A.M.
RHODES STATE OFFICE TOWER
30 EAST BROAD STREET, 35TH FLOOR, HUFFMAN PRAIRIE CONFERENCE ROOM
COLUMBUS, OHIO 43215

Members Present: Philip Renaud, Chair
Ann Gabriel
Gregory Long
Donald Wells

Members Absent: David Beule

Call to Order

Chairman Renaud called the meeting to order at 10:00 a.m.

Approval of Minutes

After confirming no corrections were necessary, Chairman Renaud asked for a motion to approve the September 29, 2022, State Audit Committee meeting minutes. Ms. Gabriel moved to approve the minutes and Mr. Long seconded the motion. The four members present voted in favor to approve the meeting minutes.

Results of Internal Audit's External Quality Review

Brian Kruk, Senior Director of Quality Assessment Services at Honkamp Krueger & Co., P.C. (HK), presented the results of the external quality review over Internal Audit's FY 2022 activity. As required by the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, external assessments must be performed at least once every five years by a qualified independent assessor or assessment team from outside the organization. Accordingly, HK's engagement was designed to achieve the following objectives:

- Evaluate Internal Audit's conformance with the IIA's *Standards* and Code of Ethics;
- Identify opportunities for improving the efficiency and effectiveness of Internal Audit; and
Identify opportunities to help ensure the expectations of the State Audit Committee, stakeholders, and executive management are being met.

Mr. Kruk explained Internal Audit received a "Generally Conforms" conformity rating, the highest rating available, as detailed in HK's External Quality Assessment Report dated October 14, 2022. Mr. Kruk further discussed the results of the assessment and identified additional opportunities and practice improvement suggestions, including formalizing the quality assurance and improvement program, documenting staff acknowledgement of the IIA's Code of Ethics, and documenting the rationale behind the assignment of audit staff to individual audit engagements.

OBM Financial Reporting Update

Laura Swank, OBM Assistant Financial Reporting Manager, provided a summary of the FY 2022 Annual Comprehensive Financial Report (ACFR) audit timeline, noting that all target completion dates have been met thus far. Ms. Swank explained there was one delay in a university timely submitting their reporting package, but this did not impact deadlines from being met overall. Ms. Swank indicated OBM plans to receive the financial statement opinion on December 21st.

Jim Kennedy, OBM Senior Deputy Director of Enterprise Services, presented the Committee members with highlights from the State's FY 2022 unaudited financial statements.

External Audit Update

Steve Gibson, Assistant Chief Auditor of Data and Information Technology Audit from the Auditor of State (AOS), provided a brief update on the FY 2022 SOC-1 audits over the Ohio Administrative Knowledge System (OAKS) and the State of Ohio Computer Center (SOCC). Mr. Gibson announced the audit reports for both SOC-1 reviews were issued on December 5th, with both receiving an unmodified opinion.

Debbie Liddil, Chief Auditor from AOS - State Region, provided a status update on the audits of the State of Ohio FY 2022 ACFR and Single Audit. Ms. Liddil noted that completion of the ACFR audit is in the final stages, and while several items are still being finalized, AOS anticipates the opinion to be issued on December 21, 2022. Results of the audit will be discussed at the next Audit Committee meeting.

Ms. Liddil stated that with the financial statement audit wrapping up, the field staff will be focusing on single audit testing of 24 major federal programs at 11 separate state agencies. AOS intends to issue an opinion on both the Single Audit and the supporting Federal Schedule of Expenditures on March 22, 2023.

Ms. Liddil also updated the Committee regarding the Revised Code §117.11(B) audits (Audit in the Public's Interest) that AOS is conducting at the Ohio Department of Medicaid and the Ohio Department of Job and Family Services (ODJFS). Ms. Liddil noted the AOS issued the audit report over the public assistance alerts (PARIS) today, December 15th, and would be starting a new audit at Medicaid over the accuracy of encounter data with an anticipated report release during the summer of 2023. Ms. Liddil further noted the audit at ODJFS related to the re-employment of unemployed individuals in Ohio is wrapping up with a final exit meeting scheduled with agency management in January 2023.

CAE Update

Cindy Klatt, OBM Internal Audit's Chief Audit Executive, provided a high-level summary on the second quarter audit activities, including a summary on the FY 2023 annual internal audit plan progress and the status of remediation activities. Ms. Klatt also provided the Committee members with Internal Audit's Quality Assurance Improvement Program (QAIP) policy which will be included as an appendix within the policies and procedures manual. The new policy was created as a result of HK's recommendation to formally document Internal Audit's QAIP

activities and develop a mechanism for communicating ongoing compliance with the *Standards* and mandatory principles to the Audit Committee and the OBM Director. This will be reviewed on a cyclical basis, covering all the *Standards* during the year.

As required by IIA *Standards* and in conjunction with the new policy, Ms. Klatt confirmed to the Committee members the organizational independence and objectivity of the internal audit activity, as well as the independence of Internal Audit employees.

The Committee paused their meeting for lunch at 11:31 a.m. and reconvened with the four members present at 12:02 p.m.

Executive Session -- At 12:03 p.m., Chairman Renaud moved that the Committee enter into executive session to discuss confidential matters exempted from public disclosure under Ohio Revised Code Sections 126.48 and 149.433. Preliminary reports of the Office of Internal Audit of the Office of Budget and Management and reports that constitute a security or infrastructure record are required to be kept confidential under Ohio law. Ms. Gabriel seconded the motion, and a roll call vote was taken; Ms. Gabriel, Mr. Long, Mr. Wells, and Chairman Renaud all approved. The Committee ended executive session at 1:10 p.m.

After confirming there were no questions or abstentions, Chairman Renaud moved that the State Audit Committee accept the assurance reports submitted by the Office of Internal Audit; the motion was seconded by Mr. Wells. No objections were noted.

Pursuant to these motions, the following five assurance reports were accepted in accordance with Revised Code Section 126.48:

1. Department of Health – COVID-19 Vaccine Grant
2. Department of Health – Procurement
3. Department of Medicaid – Eligibility Verification Processes
4. Department of Mental Health and Addiction Services – Access Controls
5. Opportunities for Ohioans with Disabilities – Business Enterprise Program Revenue

Open Discussion

Ms. Klatt presented the draft State Audit Committee Charter to the members and noted the only edits she had tracked were date changes and one minor edit. The Committee members had no additional edits or objections. Ms. Gabriel moved to approve the State Audit Committee Charter as revised; Mr. Long seconded the motion. With no objections noted, the members approved the revised State Audit Committee Charter.

Ms. Klatt then presented the Committee members with the draft Internal Audit Charter and noted in addition to date changes, several minor edits were made resulting from the external quality review. There were no additional edits or objections by the Committee. Mr. Long moved to approve the updated Internal Audit Charter; Ms. Gabriel seconded the motion. With no objections noted, the revised Internal Audit Charter was approved as presented.

Ms. Klatt reminded the members to take the Annual Ethics Training pursuant to Executive Order 2019-11D before December 31, 2022. The training is available online via the Ohio Ethics Commission website. Ms. Klatt also reminded the members to send their confirmation of completion to OBM Legal by December 31, 2022.

Ms. Klatt then confirmed the calendar year 2023 meeting dates with the Committee members as follows: March 30, June 29, September 28, and December 14. She also provided the Committee with a summary of items planned for the March 2023 audit committee meeting. Chairman Renaud asked the Committee members to think about how to gather feedback from the meetings and identify areas for improvement to make meetings more valuable for everyone.

The meeting was adjourned at 1:25 p.m.